



Committee On Finance

Max Baucus, Ranking Member

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**Floor Statement of U.S. Senator Max Baucus (D-Mont.)
Regarding Motions to Instruct on the Tax Reconciliation Bill**

Mr. President, today, we debate this tax reconciliation bill for a third time.

We last debated this bill on February 2, Groundhog Day. My friend from Iowa, Chairman Grassley, last week compared this repeated debate to Groundhog Day.

That's true. This debate does remind many of us of the film "Groundhog Day," where Bill Murray is forced to live the same day over and over again.

But at the risk of giving away some of the plot, let me remind my colleagues of the lesson of the film. In the film, Providence dooms Bill Murray to repeat the same day — Groundhog Day, that is — until he learns to live it right.

One might say that that is where we are. We are doomed to debate tax policy, over and over again, until we get it right.

In November, when we first debated this bill, the Senate voted 64 to 33 to pass this bill and support AMT relief for middle-income families. And again, just last week, the Senate voted 66 to 31 to again pass the bill and support AMT relief for middle-income families. And in particular, last week the Senate voted 73 to 24 to support the Menendez amendment to express the sense of the Senate that protecting middle-income families from the alternative minimum tax should be a higher priority in 2006 than extending capital gains and dividends tax cuts that do not expire until the end of 2008.

And so, this same question keeps popping up over and over again. And the same answer keeps coming back: Let's make sure that relief from the onerous and family-unfriendly AMT happens now. And let's defer on extending expensive tax breaks for investors until a later day.

And yet, I keep reading in the papers that Senate leaders have promised that capital gains and dividends tax cuts will still be in this reconciliation bill. Now, the Senate position, by an overwhelming vote of 73 Senators, is providing immediate relief to more than 17 million mainly middle-income families who will otherwise see a tax increase this year. Since that is so, it seems to me that we should accept that position and work toward its enactment.

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Statements that we will provide AMT relief to working families separately and later in the year undermine this Senate position. It is statements like those that have led us to this Groundhog Day. It is statements that call into question the Senate's votes that cause the Senate to have to vote once again to deliver that same message.

Today, we will debate several motions to instruct. The first one will be Groundhog Day for AMT.

For 17 million American families, 2006 came in with an unwelcome surprise — a stealth tax. The temporary protection from the Alternative Minimum Tax, or AMT, expired on December 31. That means that 17 million more American families will be subject to it this year. That's an increase from 3 million to 20 million in one year alone.

Once again, the Senate will debate whether to support our position, where AMT relief is a priority. In contrast, the House position was to prefer extending capital gains and dividends cuts – which expire in 2009 – over AMT protection, which expired six weeks ago. The answer is clear.

If the House position prevails in conference, working families will lose. If we do not extend the AMT protection, a family with three kids and an income of \$63,000 could be hit by the AMT this year. The AMT is family-unfriendly. The AMT creeps deeper and deeper into working families each year. Protection from the AMT should be a priority for both sides of the aisle, and both sides of the Capitol.

Instead, the House has passed a separate AMT bill without the procedural protections of this bill. And while this other House bill purports to protect families from the AMT, there will still be 600,000 additional taxpayers paying higher taxes next year due to this stealth tax. The House AMT patch or “hold harmless” provision, as some have called it, does not really hold everyone harmless. In 2005, there were 3.6 million American taxpayers paying the AMT. Under the House bill, there will be 4.2 million taxpayers paying AMT in 2006.

So, as we debate this issue once again, let us remember our priority: the millions of working families now subject to a tax increase courtesy of the AMT. Once we accept that priority, the decision whether to allocate \$50 billion to extending capital gains and dividends cuts becomes much clearer.

Let's do what is urgent first. Let's do what working families expect and need. Doing so will be the only way to move on to a better day for these families.

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